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April 3, 2007 **COPY**
Posted: D. Duke
Dept: SA
Date: 4-4-07
Time: 7:40

VIA HAND DELIVERY

Mr. Charles L. A. Terreni, Esquire
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Ste. 100
Columbia, SC 29210

RE: Comments and Issues List of United Telephone Company of
the Carolinas d/b/a Embarq
Docket No. 1997-239-C

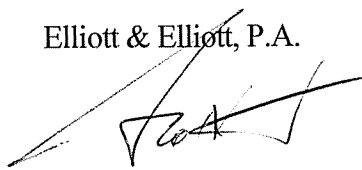
Dear Mr. Terreni:

Enclosed for filing in the above-referenced docket are the original and ten copies (10) of the Comments and Issues List of United Telephone Company of the Carolinas d/b/a Embarq. By copy of this letter, I am serving all parties of record.

Also enclosed is an extra copy of the Comments and Issues List along with a Certificate of Service which I would ask you to date stamp and return to my office via my courier. If you have questions, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.


Scott Elliott

SE/jcl

Enclosures

cc: Parties of Record w/enc.
H. Edward Phillips, Esq.

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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

In RE:)
)
Intrastate Universal Service Fund) Docket No. 1997-239-C
)
)

COMMENTS AND ISSUES LIST OF
UNITED TELEPHONE COMPANY OF THE CAROLINAS DBA EMBARQ

INTRODUCTION

Pursuant to the Directive issued by the Public Service Commission of South Carolina ("Commission") on March 7, 2007, United Telephone Company of the Carolinas d/b/a Embarq ("Embarq") provides its comments and list of issues as requested. Embarq believes that aside from the pending appellate cases which are seeking review of the Commission's decisions in the Universal Service Fund docket, the Commission must consider three items that could potentially impact the State Universal Service Fund.

The three items the Commission must consider are as follows: Docket No. 2006-37-C (Guidelines for Designation as Eligible Telecommunications Carriers), the Missoula Plan and its impact on the State USF, and pending South Carolina Senate bill (SB 464) that, if approved, would require major modifications to the State USF. In addition, while the passage of Act 175 transferred responsibility for administration of the State USF from the Commission to the Office of Regulatory Staff, changes to the guidelines as a result of that transfer could be made quickly, and need not be burdensome. The other items, however, will require considerable review.

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SOUTH CAROLINA

EXTERNAL ITEMS AFFECTING THIS DOCKET

In Docket No. 2006-37-C, the interim guidelines initially drafted by the Commission Staff state that they are to be used in regard to determining eligibility for federal USF support only, and not State USF support. To allow for the possibility that the final ETC guidelines might impact the State USF, it is only prudent for USF guidelines to be modified after final ETC guidelines are in place. The Commission has issued a Notice of Workshop scheduling a workshop in this matter on May 25, 2007. The purpose of the workshop is to provide interested parties the opportunity to discuss the annual certification process for Eligible Telecommunications Carriers ("ETCs"). In addition, the Commission has also requested comments from interested parties (due April 19, 2007) concerning whether the Federal Communications Commission's ("FCC's") May 25, 2005 ETC designation guidelines should be taken into consideration as this Commission moves forward with its review of pending and future ETC applications on a case-by-case basis. While it is likely that *final* guidelines for designation as an ETC will not be drafted and approved until the 2008 legislative session, the USF guidelines can be reviewed again at that time to determine if further changes are required.

The Commission has also released a Notice of Workshop concerning the Missoula Plan. The workshop scheduled for May 31, 2007 will address the plan, which is likely to have considerable financial effects in early adopter states with state Universal Service Funds, such as South Carolina. The Commission has already ordered access reductions via creation of the Interim LEC Fund and implementation of the State USF. The impact of the Missoula Plan on these funds needs to be determined prior to making additional modifications to the USF guidelines. The FCC may decide to adopt only certain aspects of the Plan rather than adopt it in

its entirety. South Carolina's USF guidelines must be modified as portions of the Missoula Plan become effective.

Finally, South Carolina Senate Bill 464 may have a significant impact on the State USF. As a result, the Commission should wait until the current 2007 legislative session has ended before proceeding with any changes to the USF guidelines. Should the pending legislation pass, major changes to the State USF will result which will require a rewrite of the guidelines.

ISSUES LIST

Embarq encourages the Commission to seek additional input from the parties once the outcomes of the deliberations described above are known. Based on that input, the Commission can then decide if modifications to the State USF should be considered. If the Commission ultimately determines that modifications to the State USF are warranted, Embarq believes that a series of workshops would be beneficial in identifying all issues to be addressed. Embarq is not prejudging the need for modifications to the State USF. However, if modifications are considered, Embarq suggests that the following issues be included in such a review:


1. Review costing methodologies and consider using more advanced cost models to provide greater accuracy;
2. Explore how State USF subsidies can be better targeted to those high cost areas that most need the support;
3. Consider whether the State USF should be modified to either expand or restrict the communications services that are supported; and
4. Identify State USF modifications needed as a result of Act 175.

CONCLUSION

Embarq respectfully recommends that the Commission await the outcome of the pending USF appeals, Docket No. 2006-37-C, the Missoula Plan and South Carolina Senate Bill SB 464 prior to deciding about the need for modifications to the State USF. If the Commission ultimately

determines that modifications should be considered, Embarq recommends that the Commission sponsor a series of workshops to identify and examine the issues, including those set forth herein.

Respectfully submitted on this 3rd day of April, 2007 by:

A handwritten signature in black ink, appearing to read 'Scott Elliott', is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that I have served one copy of the attached letter dated April 3, 2007, in Docket No. 97-239-C on behalf of United Telephone Company of the Carolinas on all below listed parties to this proceeding by depositing a copy addressed to each in the United States Mail, first-class postage prepaid.

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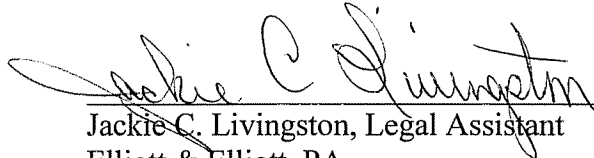
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This 3rd day of April, 2007.



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